



Mailing Address:
139 East Fourth Street
1303 Main / P.O. Box 960
Cincinnati, Ohio 45202
o 513-287-4320
f 513-287-4385

VIA OVERNIGHT DELIVERY

RECEIVED

August 12, 2016

AUG 15 2016

Mr. Jeff Cline
Public Service Commission
Commonwealth of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

PUBLIC SERVICE
COMMISSION

Re: Case No. 2011-00124
In the Matter of the Joint Application of Duke Energy Corporation, Cinergy Corp., Duke Energy Ohio, Inc., Duke Energy Kentucky, Inc., Diamond Acquisition Corporation, and Progress Energy, Inc. for Approval of the Indirect Transfer of Control of Duke Energy Kentucky, Inc.

Dear Mr. Cline:

Enclosed please find Duke Energy Kentucky's financial statements for the end of June 2016, per order by the Commission in the above-referenced case.

Please file-stamp the extra copy of this letter and return to me in the enclosed return-addressed envelope.

If you have any questions regarding the financial statements, please contact Mai Xuan Zinchenko at 980-373-2167.

Sincerely,

Rocco D'Ascenzo
Associate General Counsel

Enclosures

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Balance Sheet - Page 1
As of June 30, 2016
(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
Assets				
Utility Plant in Service	1,606,089,270	452,161,767	11,455,835	2,069,706,872
Construction Work in Progress	32,927,424	9,102,779	-	42,030,203
Less: Accumulated Depreciation	(825,546,186)	(156,876,711)	(7,192,344)	(989,615,241)
Net Utility Plant	<u>813,470,508</u>	<u>304,387,835</u>	<u>4,263,491</u>	<u>1,122,121,834</u>
Nonutility Property	-	-	2,206	2,206
Other Investments	-	-	1,500	1,500
Other Special Funds	-	-	1,262,221	1,262,221
Long Term Portion of Derivative Instrument Assets	-	-	440,056	440,056
Total Other Property & Investments	<u>-</u>	<u>-</u>	<u>1,705,983</u>	<u>1,705,983</u>
Cash	4,294,163	1,763,022	(321,540)	5,735,645
Working Funds	-	-	-	-
Temporary Cash Investments	-	-	-	-
Customer Accounts Receivable	817,140	207,561	-	1,024,701
Other Accounts Receivable	709,116	291,137	(53,098)	947,155
Less: Provision for Uncollectibles	(100,411)	(25,505)	-	(125,916)
Notes Receivable from Assoc. Co.	8,586,055	3,525,113	(642,910)	11,468,258
Accounts Receivable from Assoc. Co.	2,717,694	1,115,784	(203,497)	3,629,981
Fuel Stock	19,085,904	1,259,899	2,339,810	22,685,613
Gas Stored Underground Inventory	-	-	-	-
Plant Materials & Operating Supplies	20,156,329	492,141	-	20,648,470
Other Materials & Supplies	-	-	-	-
Stores Expense Undistributed	1,053,272	25,717	-	1,078,989
Prepayments	1,426,909	675,506	-	2,102,415
Emission Allowances	97,461	-	-	97,461
Derivative Instrument Assets	4,346,506	-	-	4,346,506
Interest & Dividends Receivable	-	-	-	-
Misc Current and Accrued Assets	14,097,784	2,275,578	-	16,373,362
Rents Receivable	9,867	-	-	9,867
Total Current & Accrued Assets	<u>77,297,789</u>	<u>11,605,953</u>	<u>1,118,765</u>	<u>90,022,507</u>
Unamortized Debt Expense	1,348,967	553,835	(101,009)	1,801,793
Other Regulatory Assets	56,093,549	2,838,354	-	58,931,903
Preliminary Survey & Investigation	240,388	98,694	(18,000)	321,082
Clearing Accounts	4,904	1,334	-	6,238
Temporary Facilities	-	-	-	-
Miscellaneous Deferred Debits	21,456,549	8,809,256	(1,606,633)	28,659,172
Unamortized Loss on Reacquired Debt	1,189,011	488,163	(89,031)	1,588,143
Accumulated Deferred Income Taxes	38,967,766	2,433,671	-	41,401,437
Unrecovered Purchased Gas Costs	-	1,793,240	-	1,793,240
Total Deferred Debits	<u>119,301,134</u>	<u>17,016,547</u>	<u>(1,814,673)</u>	<u>134,503,008</u>
TOTAL ASSETS AND OTHER DEBITS	<u><u>1,010,069,431</u></u>	<u><u>333,010,335</u></u>	<u><u>5,273,566</u></u>	<u><u>1,348,353,332</u></u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements

Balance Sheet - Page 2

As of June 30, 2016

(Unaudited)

	Electric Jurisdictional	Gas Jurisdictional	Non- Jurisdictional	Total Company
<u>Proprietary Capital</u>				
Common Stock Issued	6,573,407	2,698,795	(492,207)	8,779,995
Premium on Capital Stock	14,104,342	5,790,715	(1,056,111)	18,838,946
Other Paid-in Capital Stock	111,295,167	45,693,632	(8,333,610)	148,655,189
Retained Earnings	193,959,664	76,832,690	(20,459,583)	250,332,771
Accumulated Other Comprehensive Income	-	-	-	-
Total Proprietary Capital	<u>325,932,580</u>	<u>131,015,832</u>	<u>(30,341,511)</u>	<u>426,606,901</u>
<u>Liabilities</u>				
Bonds	252,095,529	103,500,994	(18,876,523)	336,720,000
Advances from Associated Companies	18,717,000	7,684,500	(1,401,500)	25,000,000
Less: Unamortized Discount on Long-Term Debt	(271,571)	(111,497)	20,335	(362,733)
Total Long-Term Debt	<u>270,540,958</u>	<u>111,073,997</u>	<u>(20,257,688)</u>	<u>361,357,267</u>
Obligations Under Capital Leases - Noncurrent	1,284,253	527,259	-	1,811,512
Asset Retirement Obligation	97,665,323	5,362,790	-	103,028,113
Long-Term Portion of Derivative Instrument Liabilities	5,583,561	1,517,767	-	7,101,328
Accum. Misc. Operating Provisions	9,101,258	2,473,974	-	11,575,232
Total Other Noncurrent Liabilities	<u>113,634,395</u>	<u>9,881,790</u>	<u>-</u>	<u>123,516,185</u>
Accounts Payable	15,784,610	6,480,571	(1,181,927)	21,083,254
Notes Payable to Assoc. Co.	-	-	-	-
Accounts Payable to Assoc. Co.	5,290,938	2,172,262	(396,177)	7,067,023
Customer Deposits	6,234,128	4,192,578	-	10,426,706
Taxes Accrued	32,130,764	(27,389,556)	89,873	4,831,081
Interest Accrued	3,240,160	1,330,288	(242,618)	4,327,830
Tax Collections Payable	1,119,625	498,034	8,469	1,626,128
Misc. Current & Accrued Liabilities	9,621,996	2,615,526	-	12,237,522
Obligations Under Capital Leases - Current	971,951	399,041	-	1,370,992
Derivative Instrument Liabilities	6,327,207	1,719,910	-	8,047,117
Less: Long-Term Portion of Derivative Instrument Liabilities	(5,583,561)	(1,517,767)	-	(7,101,328)
Total Current & Accrued Liabilities	<u>75,137,818</u>	<u>(9,499,113)</u>	<u>(1,722,380)</u>	<u>63,916,325</u>
Customer Advances for Construction	-	1,073,087	-	1,073,087
Accum. Deferred Investment Tax Credits	(2,725,978)	672,535	2,839,403	785,960
Other Deferred Credits	18,063,342	5,748,077	-	23,811,419
Other Regulatory Liabilities	21,538	447,436	-	468,974
Accumulated Deferred Income Taxes	209,464,778	82,596,694	54,755,742	346,817,214
Total Deferred Credits	<u>224,823,680</u>	<u>90,537,829</u>	<u>57,595,145</u>	<u>372,956,654</u>
TOTAL PROPRIETARY CAPITAL, LIABILITIES, AND OTHER DEFERRED CREDITS	<u>1,010,069,431</u>	<u>333,010,335</u>	<u>5,273,566</u>	<u>1,348,353,332</u>

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Income Statement
For the 12 Months Ended June 30, 2016
(Unaudited)

	Electric	Gas	Non- Jurisdictional	Total Company
Revenues				
Residential Sales	120,633,516	57,792,053	-	178,425,569
Commercial Sales	111,194,700	18,630,559	-	129,825,259
Industrial Sales	52,843,802	1,312,574	-	54,156,376
Sales to Public Authorities	21,324,775	1,961,613	-	23,286,388
Public Street & Highway Lighting	1,645,823	922	-	1,646,745
Inter-Departmental Sales	50,745	12,864	-	63,609
Misc. Service Revenues	3,529,299	32,765	652,628	4,214,692
Revenues from Transportation	-	6,107,274	-	6,107,274
Sales for Resale	23,939,172	-	-	23,939,172
Rents from Property	721,377	214	-	721,591
Other Revenues	4,674,866	1,069	-	4,675,935
Total Revenues	340,557,875	85,851,907	652,628	427,062,410
Operating Expenses				
Operation Expense	202,969,044	48,892,849	534,931	252,396,824
Maintenance Expense	35,277,026	1,939,483	19,888	37,236,397
Depreciation Expense	28,616,637	13,392,745	-	42,009,382
Amortization and Depletion	2,012,585	794,792	-	2,807,377
Taxes Other than Income Taxes	9,464,943	4,210,215	71,593	13,746,751
Income Taxes - Federal & Other	(16,300,201)	1,616,434	(90,712)	(14,774,479)
Provision for Deferred Income Taxes - Net	33,930,244	2,482,430	519,743	36,932,417
Investment Tax Credit Adjustment	-	63	(63)	-
Total Operating Expenses	295,970,278	73,329,011	1,055,380	370,354,669
NET OPERATING INCOME	44,587,597	12,522,896	(402,752)	56,707,741
Other Income & Deductions				
Revenues from Merchandising, Jobbing and Contract Work	-	-	566,139	566,139
Less: Expense of Merchandising, Jobbing and Contract Work	-	-	(146,807)	(146,807)
Revenues from Nonutility Operations -	-	-	(65,384)	(65,384)
Interest & Dividend Income	-	-	952,324	952,324
AFUDC	677,782	162,550	-	840,332
Gain on Disposition of Property	-	-	10,665	10,665
Loss on Disposition of Property	-	-	(6,021)	(6,021)
Misc. Income Deductions	-	-	(1,275,548)	(1,275,548)
Taxes Other than Income Taxes	-	-	(120,618)	(120,618)
Income Taxes - Federal & Other	-	-	(1,930,500)	(1,930,500)
Provision for Deferred Income Taxes - Net	-	-	2,908,550	2,908,550
Total Other Income & Deductions	677,782	162,550	892,800	1,733,132
Interest Charges				
Interest on Long Term Debt	(9,878,840)	(4,055,882)	739,712	(13,195,010)
Amortization of Debt Disc. And Expense	(497,783)	(204,371)	37,273	(664,881)
Amortization of Loss on Reacquired Debt	(199,504)	(81,909)	14,939	(266,474)
Interest on Debt to Assoc. Co.	(165,695)	(68,028)	12,407	(221,316)
Other Interest Expense	(1,242,036)	(509,933)	93,002	(1,658,967)
Less: Allowance for Borrowed Fund Used During Construction - Credit	294,864	61,744	-	356,608
Net interest Charges	(11,688,994)	(4,858,379)	897,333	(15,650,040)
Extraordinary Items after Taxes	-	-	-	-
NET INCOME	33,576,385	7,827,067	1,387,381	42,790,833

Duke Energy Kentucky, Inc.

Monthly Supplemental Financial Statements
Capital Structure
June 30, 2016
(Unaudited)

	Actual May-16	Activity	Actual Jun-16
Liabilities and Shareholders' Equity			
Non-Current Liabilities			
* Long-term debt	285,052,849	14,747	285,067,596
Advances from Associated Companies	25,000,000	-	25,000,000
Obligations under Capital Lease-Noncurrent	1,868,624	(57,112)	1,811,512
Total Long-term debt	311,921,473	(42,365)	311,879,108
Common Stock Equity			
Common Stock	8,779,995	-	8,779,995
Premium On Capital Stock Common	18,838,946	-	18,838,946
Donations Received From Stockholders	143,211,362	-	143,211,362
Donations Received From Stockholders Tax	5,600,021	-	5,600,021
Other Miscellaneous PIC	(156,194)	-	(156,194)
Miscellaneous PIC	-	-	-
Unappropriated Retained Earnings Balance	228,157,431	-	228,157,431
Unappropriated Retained Earnings - Current Year Net Income	19,717,141	2,458,199	22,175,340
Total Common Stock Equity	424,148,702	2,458,199	426,606,901
TOTAL CAPITALIZATION	736,070,175	2,415,834	738,486,009

NOTE:

* "Long-Term Debt" under Non-Current Liabilities does not include current portion of Long-Term Debt, Unamortized Discount, nor Unamortized Debt Expense.